

Message Text

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E.O. 11652: N/A

TAGS: EFIN, EGEN, YO

SUBJECT: IMF ASSESSMENT OF YUGOSLAV ECONOMIC PROSPECTS IN 1974

1. BEGIN SUMMARY: RECENTLY CONCLUDED IMF ANNUAL MISSION TO YUGOSLAVIA ESTIMATES THAT CONDITIONS EXIST FOR GOOD RESULTS IN 1974, ALTHOUGH UNPREDICTABLE FOREIGN FACTORS COULD CHANGE THIS. ANTICIPATED 1974 YUGOSLAV POLICY MEASURES RATED "MORE OR LESS ADEQUATE." MISSION FORESEES CONTINUED INFLATION IN 1974 AND BELIEVES IT OF "ESSENTIAL IMPORTANCE" TO KEEP MONEY SUPPLY WITHIN BOUNDS AND ADOPT PROPER FISCAL MEASURES. END SUMMARY.

2. FINDINGS ANNUAL IMF SURVEY MISSION TO YUGOSLAVIA FEATURED IN PRESS DECEMBER 28. OVERALL, MISSION ESTIMATES THAT CONDITIONS EXIST FOR "GOOD RESULTS IN 1974," THOUGH UNPREDICTABLE FOREIGN FACTORS CAN UPSET PLANNING AT ANY TIME.

3. MISSION FOUND STEPPED-UP GROWTH RATE IN 1974 FEASIBLE ESPECIALLY
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AS ILLIQUIDITY PROBLEM ELIMINATED FOR ALL PRACTICAL PURPOSES.

MISSION REPORTS YUGOSLAV BALANCE OF PAYMENTS "FAVORABLE AGAIN FROM

A MAJORITY OF ASPECTS." AS FOR BALANCE OF PAYMENTS PROSPECTS, UNCERTAINTY MARKING CURRENT ECONOMIC TRENDS IN WESTERN EUROPE MAKE IT HARD TO ESTIMATE PATTERN OF YUGOSLAV BALANCE OF PAYMENTS IN 1974. FOR THIS REASON, MISSION RECOMMENDS THAT YUGOSLAVS CONTINUE EFFORTS TO EFFECT STRUCTURAL CHANGES, RAISE BOTH EXPORT POTENTIAL AND INCREASE AGRICULTURE AND INDUSTRIAL RAW MATERIAL OUTPUT AT HOME. MISSION PRAISED GOY IMPORT LIBERALIZATION PROGRAM AS BENEFICIAL FOR FUTURE ECONOMIC GROWTH.

4. MISSION FORESEES FURTHER INFLATIONARY PRICE INCREASES IN 1974. IT ATTRIBUTES FAILURE TO KEEP PRICES IN LINE DURING 1973 TO "EXCEPTIONALLY ADVERSE FACTORS FROM ABROAD. MISSION ALSO RECOMMENDS THAT YUGOSLAVIA REDUCE FOREIGN DEBT LOAD IN 1974. "ESSENTIAL IMPORTANCE" IS ATTACHED TO HOLDING GROWTH IN MONEY SUPPLY WITHIN BOUNDS AND PROPER FISCAL POLICY OBJECTIVES. ON STABILIZATION POLICY, MISSION FOUND GOOD RESULTS SOLIDIFIED IN MANY FIELDS SINCE 1972.

5. IN GENERAL, MISSION CONCLUDES, "POLICY MEASURES TO BE CARRIED INTO EFFECT IN 1974 ARE MORE OR LESS ADEQUATE."

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